

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Required Report - public distribution

**Date:** 7/7/2016

**GAIN Report Number:** CH16040

## **China - Peoples Republic of**

## **Stone Fruit Annual**

**2016**

**Approved By:**

Chris Frederick

**Prepared By:**

Chris Frederick, Freddie Xu, Wu Bugang

**Report Highlights:**

China's MY 2016/17 peach and nectarine production is forecast at 13.5 MMT, up 2 percent from the previous year as result of new bearings and increased planting acreage. Cherry production is forecast to increase by nearly 30 percent to 320,000 MT in MY 2016/17, largely due to new bearings. Cherry imports are forecast to increase 9 percent to 100,000 MT in MY 2016/17. The United States remains the second largest cherry supplier after Chile.

**Commodities:**

Fresh Cherries,(Sweet&Sour)

Fresh Peaches & Nectarines

**Production***Peaches/nectarines*

China's peach and nectarine production is forecast at 13.5 million metric tons (MMT) in the 2016/17 marketing year (January-December), up 2 percent from the revised production in MY 2015/16.

Production gain is primarily contributed to new bearings from increased planting acreage over the past few years. A warm but dry spring in northern China is likely to result in smaller fruit sizes compared with that in MY 2015/16. In southern China, excessive rain this summer will probably impact the taste of peaches and nectarines. Peach/nectarine production in MY 2014/15 has also been revised based on official statistics.

Peach/nectarine acreage is forecast at 830,000 hectares in MY 2016/17, slightly up from the previous year. The recent expansion of peach planting acreage is expected to slow down in the wake of weak market prices during MY 2015/16 according to industry sources.

Numerous peach/nectarine varieties are planted in more than 20 provinces across China but the majority peaches/nectarines are grown in northern China, with the top 3 producing provinces, namely Shandong, Hebei and Henan, taking up more than 40 percent of the share. Typically, peaches/nectarines are harvested between late May and early October. Peach yield averages around 40 MT per hectare, but yield can vary based on variety and location.

*Cherries*

Cherry production is forecast at 320,000 MT in MY 2016/17 (January-December), up nearly 30 percent from the previous year, driven by new bearings from recent acreage expansion. In addition, a warm spring in northern China has led to a higher fruition rate in major producing provinces such as Shandong and Liaoning. Fruit sizes, however, are generally smaller compared with last year as a result of the higher fruition. Cherry harvest period is between early May and late June. However, approximately 5 percent of cherries are grown in the greenhouses, primarily in Dalian region, and are harvested in early March.

Cherry acreage continues to expand and is currently estimated at 107,000 hectares in MY 2016/17, an increase of 7 percent from the previous year, driven by favorable market returns. While cherry acreage has stabilized in major producing areas like Yantai (Shandong) and Dalian (Liaoning), crop area is expanding in mid-western provinces including Henan, Shaanxi, Shanxi, Gansu and Sichuan. Industry sources indicate that cherry acreage is expected to continue to increase in the western provinces and even into southern China over the next 3-5 years.

Cherries are still primarily produced by small individual farmers who operate orchards ranging roughly from 0.25 hectare to 1 hectare. Despite the relatively small scale of these farms, farmers often grow several varieties in order to extend as much as possible the harvest period. Because of this small scale structure, it is difficult for packing houses or trading companies to source large quantities of single variety cherries with consistent quality. As a result, grading, pre-cooling, and even cold storage facilities are not commonly used in the cherry industry unless the fruit is sold through E-commerce. Most locally-grown cherries are sorted, packaged, and transported by truck without the benefit of a cold chain. In many cases, cherries are harvested at pre-mature stage to enable longer shelf life.

Cherry farmers grow more than 20 varieties in China but major varieties remain the traditional ones like Red Lantern (similar to Brooks), Red Honey, Early Big, Early Beauty (similar to Bing), Van, Lapins, Rainier, and Samidou. Industry sources indicate that Red Lantern variety accounts for more than 50 percent of the total planted area. However, cherry growers are favoring varieties such as Early Beauty (Bing) for new plantings because of the sweet taste and properties that are suitable for storage and transportation.

### **Prices**

Peach prices had been increasing for years until MY 2014/15 after peach production experienced a nearly 10 percent year-on-year increase resulting in over supply. Peach prices remained weak in MY 2015/16 and some farmers in northern producing areas even found it difficult to sell their produce. The early mature peaches in Shaanxi province, for example, were sold at wholesale markets at only \$0.16 per kilo in MY 2015/16, down 70 percent from the previous year. In MY 2016/17, peach prices are expected to remain lower given generally poor quality.

In MY 2016/17, cherry prices continue to fall in the wake of a bumper harvest, as well as smaller fruit sizes in general. Prices for high quality cherries, however, remain strong. In Yantai, the wholesale prices for Early Beauty (or Bing) cherries weighing 12 grams or more have been placed at 30-40 RMB (\$4.5-6.0) per kilo, similar to the levels in the previous year, according to sources.

### **Consumption**

Peaches and nectarines remain popular among consumers. However, according to industry sources, the quality of peaches has declined as a result of over application of fertilizers and plant growth regulators. In some cases, farmers harvest pre-mature peaches in order to sell the fruit earlier at a higher price. All these have affected consumers' buying interest. In Jiangsu and Shanghai areas, however, peach farmers adopt organic farming methods in order to maintain quality and command higher prices in the nearby urban centers.

Cherry consumption remains strong, particularly in traditional cherry consuming cities like Beijing, Shanghai, Guangzhou, Harbin, and Shenyang. In recent years, demand for high quality cherries, including imported cherries, is also growing rapidly in the second tier cities including but not limited to Changsha, Hangzhou, Nanjing, Chengdu and Xi'an. E-commerce, which normally applies cold chain in distribution, plays an important role in delivering such high value fruit to more consumers in major cities. There is potential to expand the consumption of this perishable fruit as distribution facilities develop.

## **Trade**

### *Import*

In MY 2016/17 (January-December), cherry imports are forecast to increase by 9 percent to 100,000 MT from the revised number in MY 2015/16. Demand for imported cherries remains strong, but the rapid growth maintained in the past few years is likely to moderate as local supplies increase. The heaviest trade flow occurs during the local off-season in winter. Chile, whose supply season coincides with the Chinese Lunar New Year, the most important local festival, remains the dominant cherry supplier, holding an 80-percent market share. The United States is the second largest supplier and the volume is steadily increasing.

China's imports of peaches/nectarines are limited. With Australia and Spain both gaining market access in early 2016, China may import small amount of peaches and/or nectarines during MY 2016/17.

### *Export*

China's peach exports are forecast at 110,000 MT in MY 2016/17 (January-December), up 28 percent from the previous year. Peach exports to neighboring countries such as Russia and Vietnam are increasing as the supply of locally-produced peaches/nectarines expands. In MY 2015/16, China's peach/nectarine exports increased more than 30 percent from a year ago.

China rarely exports cherries in the absence of cold treatment and distribution facilities.

## **Policy**

There is no specific national government support for stone fruit production but support does occur at the local level. In Dalian for example, the government provides more than \$1,500 per mu (0.07 hectare) for cherry farmers to build greenhouses. Dalian government is also exploring crop insurance to cover cherry production. The first pilot insurance program based on the amount of rainfall was initiated in one major production area in Dalian. Cherry farmers will pay 50 percent of the premium (\$315 per hectare) and the remaining 50 percent will be subsidized by the local government. In the event that rain causes fruit skin to crack, the insurance company will compensate for the damages.

On May 27, 2016, China's General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) announced that Turkish fresh cherries will be allowed to enter the China market.

On June 8, 2016, AQSIQ announced that China and Australia has signed a protocol to allow locally produced nectarines to enter each other's market with immediate effect. Based on a Free Trade Agreement between China and Australia that took effect on December 20, 2015, import tariff for Australia-origin fresh peaches (including nectarines) will be reduced to 4 percent on January 1, 2017, compared with MFN tariff of 10 percent.

On May 18, 2016, AQSIQ announced that China and Spain has signed a draft protocol to allow Spanish fresh plums and peaches to enter the China market. It is not immediately available when the protocol will become officially effective, but Spain will soon become the first country to export fresh peaches to China.

## **Marketing**

### *Peaches*

Local governments and farm cooperatives in major peach-producing regions continue to organize marketing activities to help peach growers and brokers sell their products. Some local peach varieties are registered and branded under the name of the producing region. The main outlets for peach marketing are the many peach blossom festivals. The festivals serve as good platforms for growers and brokers to invite retailers, institutional buyers, and wholesalers to visit orchards and make future orders.

## *Cherries*

### Distribution

Shanghai is the main port for direct cherry imports from the United States and Canada, both by air and by sea. About 65 percent of cherries imported from the Northern Hemisphere to China arrive at the Port of Shanghai, followed by Shenzhen and Beijing. The majority of U.S. cherries arrive in China by air shipment and less than 15 percent arrive by sea.

U.S. cherries are sold on most e-commerce platforms in China. The share of cherry sales through online platforms is increasing every year. TV shopping is also attracting a wider demographic. The advantage of these channels is that the fruit is stored in cold chain facilities and delivered to consumers within 1-2 days after receipt of the order. Likewise, online shopping websites and TV shopping channels provide a good platform to educate consumers about the benefits of imported fruits and how the fruit is grown and harvested.

### Competition

Imported U.S. cherries, especially California cherries, face domestic competition in North China. Competition derives mostly from increased production in key growing areas such as Shandong and Liaoning, where the harvest time overlaps with imports from California. The quality of local fruit is improving, but post-harvest technology still has room for improvement. For many affluent Chinese consumers price is not a factor and are willing to pay for high-quality products.

### Consumer/trade education

The United States is viewed as the epitome of high-quality fruit suppliers. Creating and enhancing the image of premium quality U.S. stone fruit is essential to boosting U.S. exports to China in the long run. In-store promotions, tastings, and display of point-of purchase materials have proven to be effective in increasing product awareness among Chinese consumers and have doubled and sometimes tripled sales during promotional events.

Online retail platforms are also very helpful to educate consumers about U.S. cherries, showing how cherries are grown, picked, and harvested, from farm to table. During the 2016 season, some innovative e-commerce platforms, such as Fruitday.com, used live broadcast programs to showcase the Northwest cherry orchards, receiving more than 100,000 viewers.

Training seminars targeting traders and retail managers on product handling and tips to increase profitability can also help build trade confidence. Reaching targeted consumers through social media exposure can play an important role in raising consumer awareness about the premium quality of U.S. cherries. Weibo, a Chinese version of Twitter, is effective in engaging consumers and receiving consumer feedback. The unique growing conditions, health benefits, and high food safety standards make U.S. stone fruit appealing to China's affluent middle class. These benefits can all be promoted

through Weibo accounts that are maintained and managed by U.S. stone fruit producers and distributors, further facilitating sales in China.

Packaging can also stimulate sales, especially during holiday seasons. Chinese consumers tend to buy visually attractive, well-packaged products as gifts for important contacts or relatives. Consumer-ready cherries in packages of 2.5 kilo per case, for example, have become more popular.

## Tables

**2011-2014 China Peach Acreage and Production by Province**

Province	2011		2012		2013		2014	
	1000 ha	MT	1000 ha	MT	1000 ha	MT	1000 ha	MT
Shandong	96.4	2,401,492	100.2	2,384,381	104.0	2,464,826	108.2	2,664,707
Hebei	82.6	1,526,760	82.0	1,573,161	85.6	1,661,743	85.1	1,818,496
Henan	75.5	1,085,727	76.3	1,106,148	76.4	1,101,169	70.0	1,132,155
Shanxi	17.6	441,367	18.8	512,283	24.4	623,579	26.7	823,325
Hubei	56.6	690,156	53.9	674,194	53.3	724,857	62.2	778,112
Shaanxi	30.4	567,449	30.9	640,733	32.0	708,089	35.5	724,872
Jiangsu	37.5	500,892	37.8	555,686	40.3	508,061	44.1	614,365
Anhui	27.0	424,137	30.5	478,189	30.6	498,366	33.2	552,978
Sichuan	47.0	449,343	47.2	450,770	47.7	499,611	48.2	519,300
Liaoning	23.9	568,329	22.2	610,483	23.3	599,570	25.0	512,121
Zhejiang	25.9	383,242	26.2	389,383	25.9	393,217	28.0	398,896
Beijing	20.4	404,280	20.0	373,295	19.4	358,519	18.5	367,617
Fujian	25.8	236,575	26.1	246,334	26.3	260,651	26.1	267,634
Yunnan	25.7	193,759	29.0	219,003	30.0	231,077	31.0	260,177
Guangxi	21.3	190,028	24.1	212,557	26.7	230,513	27.9	250,514
Gansu	12.4	183,199	12.3	196,904	11.8	215,206	11.8	230,339
Guizhou	22.0	100,495	25.9	122,046	28.8	147,350	34.1	172,642
Xinjiang	12.9	109,212	12.7	125,073	10.4	150,320	11.0	166,015
Chongqing	10.3	87,466	11.1	101,532	11.1	106,019	12.8	122,241
Guangdong	6.7	85,022	6.9	87,183	6.9	93,410	7.1	101,534
Shanghai	5.9	92,284	5.9	95,529	5.9	71,161	5.7	82,696
Jiangxi	N/A	49,944	9.7	52,674	10.0	53,750	10.4	64,872
Tianjin	3.8	57,828	5.1	58,060	3.7	55,207	3.9	58,572
Ningxia	1.8	26,203	2.0	30,363	2.0	31,026	1.9	34,932
Tibet	0.2	1,119	0.1	2,636	0.6	2,741	0.7	2,895
Jilin	0.3	1,295	0.2	1,043	N/A	1,285	0.2	746
Qinghai	N/A	979	N/A	809	N/A	543	N/A	582
National total	720.3	10,983,028	745.9	11,430,347	765.9	11,924,085	799.5	12,874,081

Source: China Agricultural Statistical Report

## Production, Supply, and Demand Tables

Fresh Peaches & Nectarines	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	780000	799500	800000	820000	0	830000
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	13000000	12874000	13600000	13200000	0	13500000
Non-Comm. Production	0	0	0	0	0	0
Production	13000000	12874000	13600000	13200000	0	13500000
Imports	0	0	0	0	0	0
Total Supply	13000000	12874000	13600000	13200000	0	13500000
Fresh Dom. Consumption	10934700	10808700	11320000	10914000	0	10890000
Exports	65300	65300	80000	86000	0	110000
For Processing	2000000	2000000	2200000	2200000	0	2500000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	13000000	12874000	13600000	13200000	0	13500000

Fresh Cherries (Sweet&Sour)	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	90000	90000	100000	100000	0	107000
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	220000	220000	250000	250000	0	320000
Non-Comm. Production	0	0	0	0	0	0
Production	220000	220000	250000	250000	0	320000
Imports	65000	65000	100000	91500	0	100000
Total Supply	285000	285000	350000	341500	0	420000
Fresh Dom. Consumption	280000	280000	344000	335500	0	412000
Exports	0	0	0	0	0	0

For Processing	5000	5000	6000	6000	0	8000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	285000	285000	350000	341500	0	420000